Statement of Sen. Chuck Grassley
Finance Committee Mark-up, Hire More Heroes Act
Wednesday, Jan. 28, 2015

Mr. Chairman, I would like to speak on Grassley Amendment #1. I agree with my colleagues on the importance of passing the bill before us to increase employment opportunities for veterans. It is important we pass this bill without delay. But, I would also like to highlight another area of the Affordable Care Act this Committee should consider addressing. This involves the ability of small businesses to provide assistance to their employees to obtain health coverage. Under the ACA's so-called market reforms, small businesses are discovering that they may be subject to thousands of dollars in taxes simply for helping their employees pay for health insurance.

Farmers, ranchers, and other small businesses frequently do not have the resources to offer a traditional group health plans to their employees. However, many still would like to help their employees afford health insurance. They often do this by reimbursing their employees on a pre-tax basis for the cost of health insurance they purchase on the individual market.

Unfortunately, many small businesses have been caught off guard by an IRS notice issued in September of 2013 that essentially makes it illegal for small businesses to pay the health insurance premiums of their employees. As a result, small businesses that have no obligation to offer insurance in the first place could be subject to as much as $100 per day per employee penalty for helping their employee purchase health insurance on the individual market.

I have had a number of farmers, small business owners, and accountants reach out to me explaining how this has the potential to be devastating to small businesses and impose hardships on their employees. Just as an example, I want to read excerpts from a couple emails I have received from Iowans. The first is from a constituent who is a dentist in Sioux City, Iowa:

> *"Help! … I am a small business owner- 7 employees. I have been helping to subsidize my employee's health insurance for 20 years. I just found out that the Market Reforms of the ACA have made that illegal….. Now all of my employees will have to pay taxes on the money I gave them for Health Insurance. They all live paycheck to paycheck and won't be able to come up with the taxes on this money. They also most likely won't qualify for the exchanges and any government subsidy. They are caught in the middle. I can't subsidize their Health Insurance because I risk a $100/day/employee penalty… Please hurry and do something to help the millions of middle class small business employees who are caught between a rock and a hard place."*

This next one is from an accountant in Zwingle, Iowa:

> *"I recently completed two classes for CPE credit for my CPA license. These classes covered the Affordable Care Act and the presenters were adamant that we contact our senators and representatives on behalf of small businesses. I do have a client that this affects that could potentially be put out of business.*

Businesses that have section 105 plans or that provide additional salary to employees for the employees to purchase health insurance privately or through the government marketplace can be fined $100 per day per employee. That is $36,500 per employee per year! ... Either this portion of the law needs to be repealed or legislation enacted to stop the penalty on small businesses (the ones that create the jobs), or the entire Affordable Health Care Act needs to be repealed.

I'm trying to help my client to figure out how to stop the payments to the employees and not be destroyed by the potential fines. This could be absolutely devastating."

I am not going to request a vote on my Amendment at this time. But, I hope to work with you, Mr. Chairman, to address this issue in the near future. If this problem is not addressed, many small businesses may find out they need to shut their doors because they have been blindsided by thousands of dollars in penalties simply for helping their employees afford health insurance.